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Canadian Wholesale Council

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Mr. Lancelot J. Smith, F.C.A.,
Chairman,
The Ontario Committee on Taxation,
88 University Ave.,
Toronto 1, Ontario.

April 15, 1964

Dear Sir:

The business tax, as introduced in 1904 in Ontario, has had few amendments, despite the fact that there has been considerable study of the Act by businessmen, economists, and government during the intervening years.

It has been stated by Cabinet Ministers, Deputy Ministers of Municipal Affairs, and senior Municipal Taxation Officers, that the Act is in need of revision, and in no instance is this more noticeable than in Clause 8, which sets out the general rates at which assessments shall be levied by the municipality for the purpose of collection of business tax.

A casual reading of this section reveals numerous anomalies, an example of which might be cited as that which calls for a business assessment on premises occupied by cocktail lounges and other dispensers of liquor at the retail level of 25%, whereas distillers are assessed at 150%.

It has long been the contention of the wholesale trade that discrimination exists against the wholesaler who pays on the basis of 75%, whereas the department store which buys as a wholesaler and sells as a retailer is assessed at 50%. The manufacturer, who sells direct to the retail trade, in wholesale quantities, is assessed at 60% and the retailer pays on a basis of 25% in the larger cities, 30% and 35% in smaller municipalities.

Presumably, at the time this basis was established, it was felt the wholesaler was in a better position to pay tax than any other class of merchants. The years have brought tremendous changes. The wholesaler no longer occupies a pre-eminent position in the business community. There is no wholesaler in the province with as large a sales volume as that enjoyed by certain chain and department stores, all of whom are in the retail field. The volume of sales of many manufacturers who sell direct to the retailer is far greater than that of the wholesalers.

We submit, therefore, the present basis is unrealistic and does not take cognizance of the fact that the wholesaler today is in a vastly different position than he was 60 years ago.

The average net profit to sales and the net profit to tangible net worth for wholesalers is lower than that of both manufacturers and department stores. If "ability to pay" is accepted as the basis for the tax levy, then wholesalers should be enjoying a rate substantially lower than either manufacturers or department stores. Figures to support this contention can easily be produced and have, in fact, been furnished in connection with briefs made on former occasions.

The wholesale trade has suffered under this unjustifiable situation for many years and has protested against it repeatedly. The provincial government has studied the matter on several occasions and has gone so far as to bring down a bill to amend the Act, but has in each case withdrawn in the face of strong protests of one type or another.

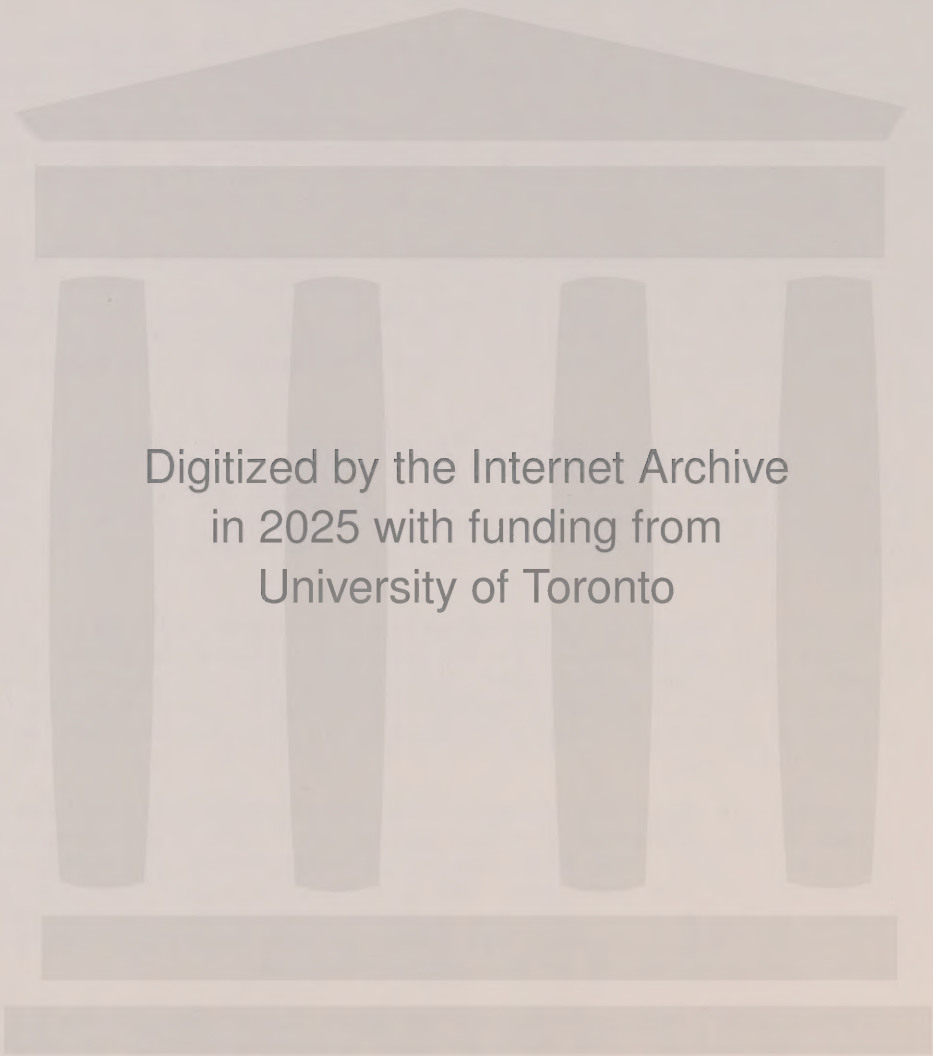
It seems to us impossible to classify businesses correctly under the various headings now set forth. For example, there are wholesalers who sell only manufacturers' products to retailers and those who have manufacturing operations not clearly divided from their wholesale businesses, but who sell as manufacturers directly to retailers.

There are brokers, such as grocery brokers, who carry substantial stocks of merchandise in storage warehouses outside of their own premises. They pay a business tax based only on their office premises. These brokers sell merchandise from their storage stocks to large retailers in competition with wholesale grocers who are subject to a 75% business tax.

During the past two decades, several presentations have been made to committees appointed for the purpose of considering amendments to the Assessment Act. The most recent presentations were made to the Select Committee on the Municipal Act and Related Acts, chaired by H.E. Beckett, Q.C., M.L.A., and the special committee, chaired by Mr. A.H. Cowling, M.L.A., which was known as the Municipal Advisory Committee of the Department of Municipal Affairs.

Presumably, the information we gave these Committees is available to your Commission. We felt we were sympathetically received by Messrs. Beckett and Cowling's Committees, and were very hopeful at the time that remedial action would be taken.

As we said to Mr. Cowling's Committee, we feel that the reason no action was taken on previous occasions to remedy this injustice was that it involves some loss of revenue on the part of some municipalities and on those occasions no other source of revenue was apparent to replace such losses. We feel the situation is now quite different.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The Provincial Government is increasingly aiding municipalities in relieving them of some of their tax burdens. The situation is, and has been, during the last two or three years in particular, we think, somewhat in a state of flux. Therefore, we think that now is a most opportune time to remedy an injustice from which we have suffered for many long years.

We, therefore, request that relief be given to the wholesalers to the extent of reducing the present 75% basis to a figure not greater than 50%. Actually we feel this is a modest request for a strong case could be made for a still lower basis.

If there is any further information that the Ontario Committee on Taxation desires on any aspect of the situation as it affects wholesalers, we would be very happy indeed to supply the necessary data at any time.

Yours very truly,

H.W. Near,
Secretary.